



Nottingham Hackspace Minimum Membership Payments

Members Meeting 07-09-2022



VAT Background

- VAT registration requires paying VAT on all income (currently 20%) if we are over the VAT threshold in any single month due to rolling income
- The current threshold is £85,000
- We went over this in May – July 2020 (due to the push for funding in late 2019)
- After having paid for advice from a professional accountancy firm in April 2022 who deals with non-profit companies and VAT:
 - We have now reported this to the HMRC and await their feedback on late registration and admittance of guilt. Potential payment of VAT plus fine may be around £4000. May be more or less.
 - We want to now not have to register for VAT in the future



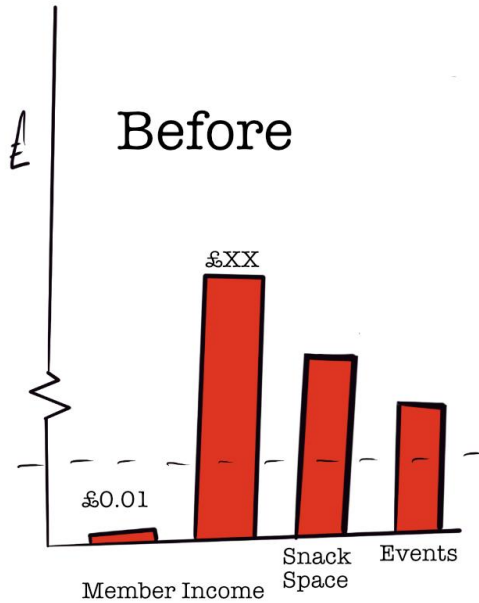
How to stay under £85K

- We don't want to register permanently for VAT since it costs 20% of our income (membership fees, workshops, other income)
- The HMRC allows donations to be given VAT-free to keep under the threshold
- Donations have to be explicit (such as we have through HMS) or implicit by charging a baseline fee to join the space and anything over it is considered a donation

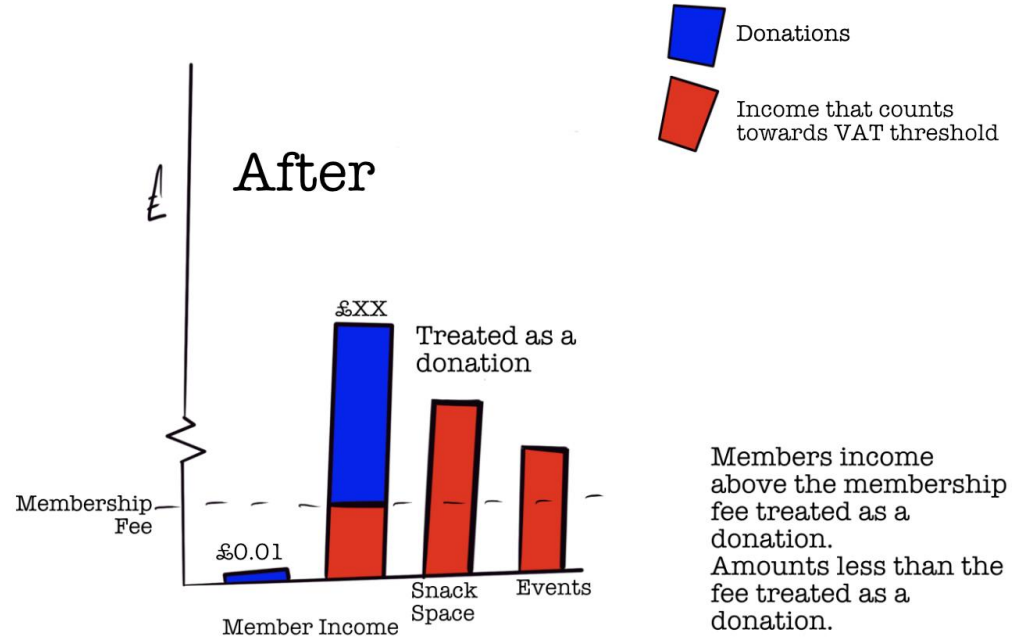


- **5.3 Subscriptions which may include a voluntary payment or donation**
- You may only treat part of your subscription as a voluntary payment or donation if either:
 - all the substantive benefits provided are available to non-members at no charge or more cheaply than the subscription, you should ignore any nominal benefits, see [paragraph 5.1](#)
 - some or all of the substantive benefits are exclusive to members and you are able to demonstrate that the amount paid is higher than the amount that the subscriber would normally have to pay for similar goods or services

Diagram



All income goes towards VAT threshold amount





Minimum Payments

- The Trustees are implementing a £5 minimum fee to access the space
- Anything over £5 will be considered a donation
- Anyone paying under £5 will be considered just a donator and not allowed access but still contribute the amount as a donation

- The minimum fee will be implemented hopefully before Christmas if HMS is altered in time
- Communications will be sent out in advance and to those under the £5 minimum



Why £5?

- The considered amount to access facilities needs to be a reasonable sum – 1 penny may be our current “minimum” but 12p to access the space for the year may not run well with the HMRC once we had accountancy advice
- £5 is a good minimum to stick to and we still allow flexibility around dropping membership and rejoining by standing order
- If we have all ~650 members paying:
 - £5 / month (£60/year) is £39,000
 - £10 / month (£120/year) is £78,000
- The latter is too close to the £85,000 VAT threshold when we include snackspace (laser/machine usage, vending machine etc.), workshops and events income on top

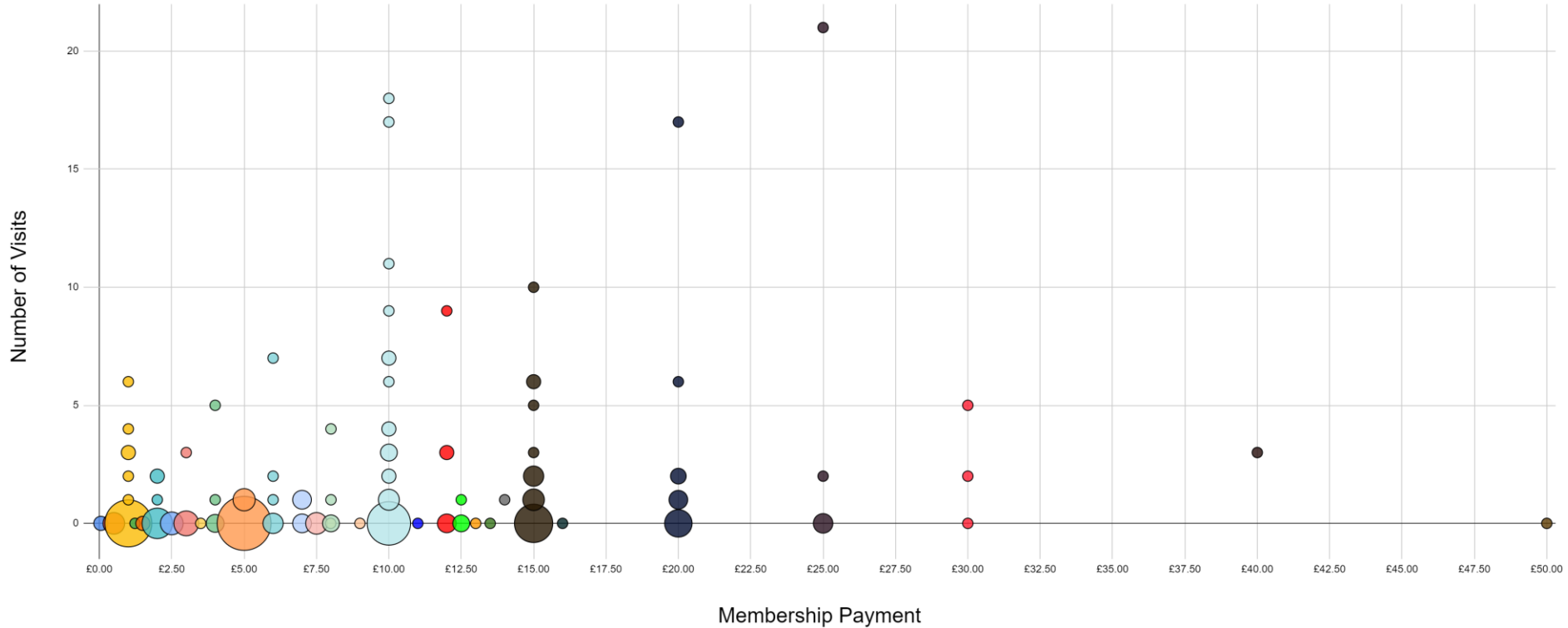


Payers less than £5 month currently

- People paying less than £5 (around 192 of 635) there are not many active visitors (12). Meanwhile, 281 visits were made by people paying £5 or over per month.
 - Of the members that pay £1 per month, 6 of them visited the space, making up 19 visits (6 of those were from one person).
 - Of the members that pay £2 per month, 3 of them visited the space, making up 5 visits.
 - Of the members that pay £3 per month, 1 of them visited the space, making up 3 visits.
 - Of the members that pay £4 per month, 2 of them visited the space, making up 6 visits (but 5 of those were from one person).



Membership Payment vs. Number of Visits (Monthly) for All Members





Financial Outcomes

- There is an upward change in our income even if all 192 members paid £5
 - Income from £4 or lower payers (192) is total of £289.38
 - If they all paid £5 it would be £960 a difference of 670.62
- However this is unlikely to occur and is not a huge amount (usual member income is £4,500 - £5,000 / month)
- We are still not solvent at £5 a month per member even at 635 members - £38,100 versus yearly expenses of roughly £64,118.68 (actually higher we're working out the new business rates and rent)
- Solvency and financial issues is a separate topic for another time